Annual Report 1975

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Centran
Corporation

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Centran Corporation

800 Superior Avenue, Cleveland, Ohio 44114 Telephone: (216) 687-1200 Telex: 885-664

Centran Corporation is a financial holding company with assets exceeding $2 billion. It is comprised of five bank affiliates and five consumer finance affiliates with 119 offices in 14 states. Through the International Department of its lead bank, Central National, Centran has Representative offices in Paris and Mexico City, an Edge Act Bank in New York City and a branch in Nassau, The Bahamas.

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Capital Stock:
Centran Corporation's Common Stock is traded Over-the-Counter and is included in the NASDAQ system under the symbol, "CENB." Price quotations appear in the National List.
The Corporation's Preferred Stock is not publicly traded.

Annual Meeting:
Centran Corporation's Annual Meeting of Shareholders will be held Tuesday, April 6, 1976, beginning at 9:30 a.m. in the East Ballroom of the Hollenden House Hotel, 610 Superior Avenue, in downtown Cleveland.

Transfer Agent:
Central National Bank of Cleveland
800 Superior Avenue
Cleveland, Ohio 44114

Co-Transfer Agent:
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Certified Public Accountants:
Ernst & Ernst
1300 Union Commerce Building
Cleveland, Ohio 44115

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1975 Highlights

For the Year	**1975**	**1974**
Income Before Security Transactions	$ 15,113,000	$ 14,897,000
Securities Gains Net of Taxes	798,000	32,000
Net Income	15,911,000	14,929,000
Return on Shareholders' Equity:		
Income Before Security Transactions	11.58%	12.29%
Net Income	12.19%	12.31%
Average Common Shares Outstanding	3,836,639	3,836,639
Per Common Share		
Income Before Security Transactions	$ 3.90	$ 3.85
Securities Gains Net of Taxes	.21	.01
Net Income	4.11	3.86
Cash Dividends Declared	1.70	1.70
Shareholders' Equity	34.46	32.05
At Year-End		
Total Assets	$2,121,992,000	$2,145,110,000
Total Deposits	1,638,282,000	1,677,433,000
Total Net Loans	1,263,131,000	1,321,510,000
Common Shares Outstanding	3,836,639	3,836,639
Common Shareholders	11,936	11,879
Employees	2,554	2,561

Letter to Shareholders

The earnings of Centran Corporation in 1975 were the best in its history. Income before security transactions exceeded $15 million for the first time and was equivalent to $3.90 per common share compared with $3.85 per share earned in 1974.

Net income for the year was nearly $16 million and amounted to $4.11 per common share—6.5% higher than the $3.86 reported for 1974.

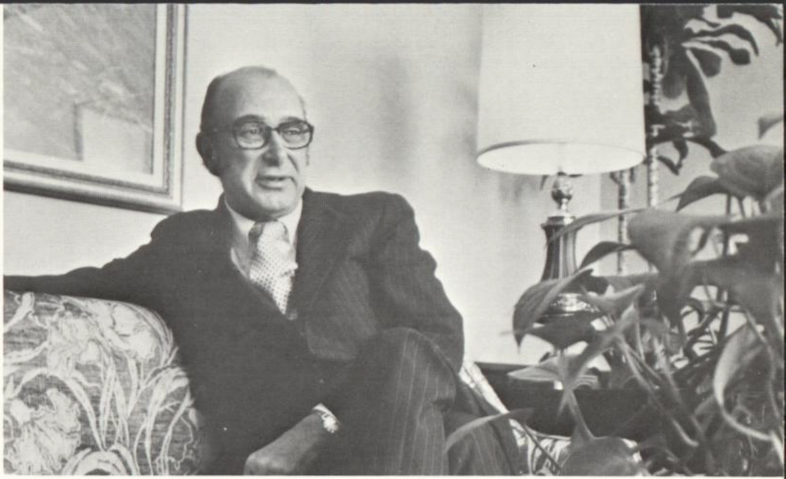
In recent months, the news media have given considerable attention to problems of the banking industry and to the impact of loan losses on specific banks and bank holding companies. It is newsworthy that the nation's 14,600 banks should report that loans charged off in 1975 exceeded an estimated $3 billion—half again more than in 1974 and three times as much as in 1973. It would be erroneous, however, to conclude that the underlying strength of the nation's banking system has been undermined.

Loan losses are a normal incident to banking. Such losses inevitably increase during recession periods. It should come as no surprise that loan losses reached high levels in the 1974-75 recession—the worst since the Great Depression of the Thirties. The element of surprise in the recent recession is that the nation's banks have been able to absorb these loan losses through charges to earnings, in nearly all instances without impairment of their capital or reserves.

It would be most unfortunate if public overreaction stigmatizes the industry to such a degree that bankers react by adopting overly restrictive credit policies. Readily available credit to deserving borrowers is the prerequisite to sustained economic growth in 1976 and beyond.

Centran's provision for loan losses was increased to $12,694,000 in 1975 from the $5,839,000 charged to earnings in 1974. The loan loss provision was $731,000 more than net charge-offs for the year. The valuation reserve for loans was $14,735,000 at year-end compared with $13,873,000 at December 31, 1974, and in the opinion of management, was more than sufficient to absorb presently projected and potential losses.

Quarterly dividends on common stock were continued at an annual rate of $1.70 per share in keeping with the necessity to balance shareholders' return versus the generation of capital through retained earnings. Dividends paid (including those on preferred stock) totaled $6,667,000 and equalled 41.9% of net income.



Capital accounts of $134 million at year-end were $9 million higher than at December 31, 1974. This increase in capital, in combination with deliberate curtailment of asset growth, served to strengthen the Corporation's capital ratios. Centran's management will continue to pursue policies aimed at preserving liquidity and providing a strong capital base in its quest for earnings in the years ahead.

A more detailed analysis of the Corporation's 1975 performance commences on page 12.

The world economy is poised for renewed growth in 1976. This growth could extend through 1978 and even beyond if the nations of the world pursue responsible monetary and fiscal policies.

Currently, there is increasing public recognition of the fact that inflation will be controlled only when we exercise the self-restraint necessitated by a fundamental rule of economics, i.e., a nation in the aggregate can neither spend nor consume more than it produces.

Economic fundamentals are often ignored, however, when the public encourages the Federal government to initiate massive new programs financed through deficit spending.

As is indicated on page 11 of this report, an effort is needed to acquaint fellow citizens with the vital contributions of profit to our economy, the hazards of continued deficit spending, and the peril of constraining competition through increased regulation.

After 200 years of unprecedented growth and accomplishment, this nation is turning away from the concept of free enterprise upon which it was founded. In so doing, we are placing our economic future in jeopardy.

John A Gelbach

John A. Gelbach
Chairman and Chief Executive Officer

February 28, 1976

Management Objectives and Planning

In this bicentennial year, shareholders of Centran Corporation can take pride in the knowledge that they are participating in an industry which has played a major role in the development of the United States.

Although it was 1781 before the first commercial bank in the United States was chartered by the Continental Congress, archeologists have recovered records of banking transactions that took place in ancient Babylonia as early as 2000 B.C.

Within Ohio, three of Centran's five bank affiliates were chartered prior to the 20th Century—The Sutton State Bank in 1878, Central National Bank of Cleveland in 1890, and The Richland Trust Co. in 1898.

Centran itself was formed as a financial holding company at the end of 1971 with Central National Bank as the lead bank and with the simultaneous acquisition of the American Bank of Commerce—now Centran Bank of Akron. The Mid-Ohio group, comprised of Richland Bank, Farmers Bank, and Sutton Bank, was acquired in mid-1972.

Subsequently, Centran acquired four finance companies, Peoples, Major, Protective, and Ben Gordon, and formed a fifth, Colonial.

Our overall planning and operations are guided by Centran's corporate philosophy:

To create and maintain a progressive and dynamic organization under professional management dedicated to consistent earnings growth by providing high quality financial services to our expanding markets.

Upon this ambitious philosophical foundation we have established four broad, interrelated, corporate objectives for our management group:

- To maintain adequate liquidity through constant monitoring and analysis of our own position as influenced by external factors, always conscious of acceptable industry standards.
- To maintain the capital of the corporation's affiliates at levels appropriate to our asset and liability structure, giving full consideration to industry and regulatory norms.
- To achieve a consistency of earnings at a growth rate in excess of the level achieved by a representative cross-section of the nation's larger banks and bank holding companies.

Attainment of these objectives fulfills primary responsibilities to depositors, the holders of debt instruments, and, of course, shareholders.

- To operate with an executive management group which excels in knowledge, experience, and creativity—a group which is highly motivated and dedicated to the attainment of these objectives.

Centran's efforts since 1972 have been concentrated on the development of a capable management group dedicated to the attainment of the preceding objectives.

We have selected the best people from within the organization, but have not hesitated to bring in individuals with specific talents and expertise. This management group is now functioning effectively.

Centran Corporation officers: Charles S. Lawrence, III (right center), Thomas W. Harris (right), Hubert P. Martin (left), and Gordon J. Sevold

The efforts of Centran's management group are unified through an integrated, centralized corporate planning process. This commences annually when each profit and cost center establishes specific quantitative and qualitative goals for its performance. Following the development and refinement of goals in a review with corporate management, each manager is committed to the attainment of his goals. Implementation of detailed performance plans ensures the advancement of the corporation as a whole.

The planning process emphasizes identification and elimination or correction of unprofitable, obsolete, and superfluous services and operations as well as expansion of successful activities and the introduction of new ones.

This planning technique led to the decision to liquidate the smallest of our finance company affiliates, Ben Gordon Finance in Houston, Texas. An analysis of the factors influencing Ben Gordon's operations indicated that it did not have the potential for contributing to Centran's profit goals.

Similarly, a plan was developed for the consolidation of our European activities at our Paris Representative office and the closing of our London Representative office on December 31, 1975.

The conduct of our business is becoming increasingly complex with the growing interdependency and interrelationship of the world's capital and money markets and the acceleration of foreign trade in an environment of floating exchange rates, the specter of inflation, capital shortages, and energy shortfalls.

In this environment, the successful managers will be those who are the planners, the agile thinkers—those who can anticipate change and take timely action.

Centran's management group has the ability to do just that. They look to the challenges of the future with optimism and enthusiasm.

Central Bank's senior staff management (left to right): A. W. Redmon, Richard I. Kuhn, Jack C. Rothwell, Frederick Lynch, Jr., and John M. McEwan

They are concerned not only with the challenges of business but also with the challenge to fulfill the human needs of society. Our affiliates offer job opportunities on present and potential abilities of applicants without regard to race, color, sex, national origin, or religion. Objectives have been established by management and are reviewed periodically to ensure that this policy is practiced throughout the corporation.

In addition, management is encouraged to contribute its time and expertise to the betterment of our communities through active participation in numerous civic, charitable, educational, and cultural institutions and organizations.

Centran's Ohio market base has a strong, diversified industrial economy with excellent domestic and international growth potential. Opportunities abound here, and Centran intends to capitalize on them through an aggressive stance in the marketplace.

Centran is continuing to develop and refine systems and procedures to evaluate the profitability of our present and prospective business activities and to improve the productivity, quality—and profitability—of the financial services provided.

These activities are amplified in the following sections devoted to our three primary sectors of business activity: corporate banking, personal banking, and consumer finance.

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Central Bank's corporate banking & trust senior management: (right to left) James M. Large, Jr., Russell H. Eichman, and Robert C. Bensing

Corporate Banking

Centran holds great expectations for profitable volume from its commercial banking sector. We are striving to integrate our domestic and international business development activities to offer a complete range of financial services. With Central National's recognition as Ohio's leading international bank, we find increased opportunities to serve both the domestic and international requirements of the growing number of regional companies which are expanding into international markets.

With business activity recovering from the recessionary level of 1974-75, we are continuing to exercise deliberate restraint over the growth of Centran's commercial loan portfolio while positioning ourselves for the future by honing the skills necessary to enhance our reputation as the most competent business banking organization in Ohio.

In this regard, Central National, our lead bank, has reorganized its commercial lending activities under a new department manager and has augmented the staff to intensify its selling effort to target companies throughout Ohio and in selected national markets while maintaining a close business relationship with correspondent banks.

Increased attention also is being given to the sale of non-lending services to commercial customers. In addition to cash management and reconciliation services, these include a variety of data processing services for correspondent banks and companies.

The PROFIT system, a remote data processing service designed specifically for banks, is attracting attention in banks throughout Ohio and adjacent states. The system provides banks with a computerized accounting system and integrates all customer records into an on-line information file.

Centran's computerized payroll processing now services 454 accounts. This service has been improved with the introduction of a payroll timesharing system which permits customers to enter payroll data directly into a timesharing computer from their offices.

Through an automated clearing house established in the fall of 1975, Centran's bank affiliates are participating in the direct deposit of payrolls into employees' accounts at banks throughout the 4th Federal Reserve District. Utilizing high speed electronic technology, the automated clearing house is transferring funds via magnetic computer tapes rather than with paper checks, which are more costly and time consuming to process.

A network of automated clearing houses being established throughout the country will permit publicly-held corporations to deposit dividend payments directly into the bank accounts of shareholders. Insurance companies, utilities, retail merchants, petroleum companies, and other corporate customers eventually can utilize this system to collect their receivables directly from consumers.

The corporate trust division of Central Bank, which serves as the transfer agent for Centran and other corporate customers, will be transferring shareholder records to an improved stock transfer system later this year. The feasibility of providing an automatic dividend reinvestment program through this system is under study and will be determined prior to the end of 1976.

The improved stock transfer capability and the impact of the Employee Retirement Income Security Act has given greater impetus to an integrated effort by trust and corporate banking officers to sell both corporate and personal trust services. In 1975, Central Bank's Equity Fund of the Multiple Investment Trust outperformed all major local competitors. This achievement indicates the effectiveness gained through the reorganization of the trust investment division.

Following a change in federal bank regulations, business savings accounts were offered to commercial customers earlier this year. The business savings account permits customers to transfer available funds from demand accounts to interest-paying savings accounts until needed.

Centran's international lending activity, particularly export financing, is continuing to accelerate as more Ohio companies find opportunities to bolster their sales in overseas markets. The International Department of Central Bank, recognized as providing the most comprehensive international financial services in Ohio, continues to work closely with the corporate banking departments of all Centran bank affiliates.

Again this past year a group of domestic and foreign-based International Department representatives toured key Ohio cities to give local business executives a current report on business and economic conditions throughout the world and to acquaint them with the department's capabilities. These include the largest and most sophisticated foreign exchange trading operation in the state and an Edge Act subsidiary bank in New York City.

Central Cleveland International Bank is the only Edge Act subsidiary of an Ohio bank in New York. Its staff of more than 30 specialists works closely with Central's International Department and a worldwide network of correspondent banks to serve Ohio corporations and their foreign and New York-based subsidiaries.

Bank affiliates' chief executive officers: (right to left) J. H. Beasore, R. E. Arnholt, John B. McCarter, and A. J. Sutton

Central Bank's International Department Manager I. Barry Thompson (right) and George C. Pollard, manager, Central Cleveland International Bank, New York City.

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Central Bank's personal banking senior management: (right to left) Alan G. Brant, Thomas J. Giblin, William E. Flack, and Richard E. Livingston

Personal Banking

Centran anticipates considerable growth in the personal banking, or retail sector, which includes the consumer and small business. The technological evolution which began with the advent of the bank credit card appears to be gaining momentum and is beginning to look more like a revolution. The rapid advance of electronic funds transfer systems (EFTS), automated clearing houses, on-line systems technology, and extremely capital intensive financial delivery systems may well dramatically transform the manner in which financial services are provided to this market.

We are concerned, however, by the obsolescence factor in an era of rapid change. Hence, we continue to be guided by our corporate objectives and own analyses rather than the herding instinct to pursue a product or delivery system that is a fad of the day but may well fade tomorrow. Several pilot projects have been initiated to analyze the market and potential financial impact of various EFTS-oriented programs and services.

The retail banking market is considered to be an essential element of a balanced approach to our corporate objectives. Accordingly, Centran has formed a committee of top management personnel, including the chairman, to plan and to quantify, in terms of volume and profit, an intermediate and long-range strategy for this market. The services of a leading management consultant have been retained to complement the efforts of this committee. A senior vice president has been assigned the responsibility of managing this project.

To provide management with better information for planning, marketing and financial decisions, computer models are now being utilized to analyze retail markets for penetration and attendant profitability in relation to census tract socio-economic data. The model projects future business volume, market share and profitability anticipated as these market areas develop or mature.

The number of Centran banking offices increased to 81 during 1975 when Centran Bank of Akron opened its 16th branch office. As the result of branch location studies, this affiliate relocated one office and plans an additional relocation in the near future.

Although Centran values all customers, we are aware that some households account for major portions of our retail balances from the standpoint of both assets and liabilities. During 1976 we plan to identify and prepare a profile of these most profitable customers to assist us in developing strategies for the provision and marketing of services tailored to their specific requirements.

Among the new services offered to personal banking customers during 1975 was the Investment Retirement Act (IRA) account for persons who are self-employed or not covered by a qualified pension plan provided by their employer.

Central Bank introduced simple interest loans, to the Greater Cleveland market last June. All new installment loans are now based on simple interest calculations, which have been heralded by consumer groups as the most easily understood and fairest approach to consumer financing.

Central's mortgage banking department has adopted the uniform standards and specifications required for participation in the national secondary mortgage market. By becoming an active participant in this market during 1976, the department will generate funds to increase its support of the local real estate market.

Recognizing that the growing volume of checks, deposit and withdrawal slips, and other paper items will not be substantially diminished in the intermediate future by paperless payments processed through automated clearing houses, Central this year is installing the most advanced system available for the efficient, high speed processing of these items.

The system incorporates new hardware and software for reading, sorting, microfilming, and positive identification and control of each individual item. It is capable of processing up to 2,400 items per minute and utilizes both optical and magnetic character recognition to reduce the time and effort required in reconciliation and reject correction.

The banking industry is noted for its ready acceptance of the products of modern technology, such as computers and other automated equipment for data processing, when they can be used effectively to increase productivity and profitability. Equipment, however, will never supplant the customer's need for assistance in financial matters from an understanding and experienced banker. Centran's bank affiliates continue to emphasize personal service and the improvement of human relationships in all training and management development programs. Our lead bank continues to assign a personal banker to each retail customer. Monthly statements and other communications encourage the customer to contact this individual for banking information and assistance.

Efficient proofing and encoding equipment speeds processing of the growing volume of checks and other paper items.

Finance company affiliates' executives: (left to right) Robert Brannon, Ben G. McDaniel, J. William Frentz, and Harry J. Klein

Consumer Finance Companies

Operating from 35 offices in 14 states, Centran's finance company affiliates offer a variety of consumer loans. Protective Loan Corporation specializes in relatively small, short-term loans for travel and vacation expenses, unexpected medical bills and other financial emergencies. Peoples and Major deal primarily in installment loans for the purchase of automobiles, boats, appliances, and similar durable consumer goods. Colonial makes larger, second mortgage loans on the equity built up in customers' homes.

Several of these affiliates also operate wholly-owned insurance agency subsidiaries, which provide insurance to a borrower for the term of the loan as protection against a claim upon his estate in the event of untimely death.

Early in 1975 Major Finance relocated its headquarters to the Montgomery Center Building in Silver Spring, Maryland. The Silver Spring office of Major Acceptance Corp., a wholly-owned subsidiary, was relocated to Falls Church, Virginia, and a new satellite office was opened nearby.

Colonial relocated its Tulsa, Oklahoma, office and currently is studying the market potential of the northwestern United States as a possible expansion location.

Earnings of the finance company affiliates improved during the latter half of 1975 as the cost of funds declined. Since many states impose legal ceilings on consumer loan interest rates through so-called usury laws, finance companies are adversely affected when the cost of their funds increases in a period of high interest rates. The spread between their interest income and interest expense is reduced since they are unable to offset their increased cost with a like adjustment in the borrower's cost.

Among the factors leading to the decision to liquidate Ben Gordon Finance Company in Houston was the Texas legislature's determination not to provide relief from the restraints imposed by the state's stringent usury law. Recognizing the need to provide a source of consumer financing during the period of excessive inflation accompanied by high interest rates, most other states acted to raise the ceiling on lending rates.

Centran anticipates that the performance of its finance companies will continue to improve as the economy recovers from the recessionary levels of last year. Credit demand should expand as consumer confidence returns. The affiliates are well established to meet this demand as it materializes in the population centers of the eastern and midwestern United States and the growing markets of the South and Rocky Mountain regions.

Finance company affiliates' executives: (left to right) Robert L. Freedman, Morton Sturt, and Alford E. Freedman

Free Enterprise Needs Your Support

After 200 years of unprecedented growth and accomplishment, this nation is turning away from the concept of free enterprise upon which it was founded. In so doing, we are placing our economic future in jeopardy.

An effort is needed to acquaint fellow citizens with the vital contribution of profits to our economy, the hazard of continued deficit spending, and the peril of constraining competition through increased regulation.

The economic vitality of a nation is dependent upon its ability to generate capital—the capital required for the modernization and expansion of existing industries and for the establishment of new industries to provide the employment, products, and services desired in the years ahead.

The savings of individuals and the profits of business, including that portion paid to shareholders in the form of dividends, constitute this nation's major source of capital. In seeking the means to fulfill its many desires, the uninformed public views profits and individual capital formation, large or small, as prime sources of additional tax revenues. This is a short-sighted policy.

Due principally to the tax burdens imposed, our businesses no longer generate sufficient capital to modernize and expand. We are losing ground—and jobs—to competitors in foreign countries.

Our economic dilemma has been compounded through the encouragement of deficit spending by the Federal government to underwrite a host of programs deemed necessary to improve our life quality.

Inflation, which erodes desirable gains in living standards, has resulted from the government's efforts to fund its debts by printing more money.

Fortunately, there is increasing public recognition of the fact that inflation will be controlled only when we exercise the self-restraint necessitated by a fundamental rule of economics, i.e., a nation in the aggregate can neither spend nor consume more than it can produce.

Finally, Americans should be made aware of the tremendous costs and constraints imposed upon the public as the result of the proliferation of regulations affecting business.

The government now employs more than 74,000 civil servants in regulatory agencies at an annual cost to taxpayers of over $3 billion. In addition, business is expending millions of dollars annually to comply with regulatory reporting procedures. These costs, too, are absorbed by the consumer as they must be reflected in the price of goods and services produced.

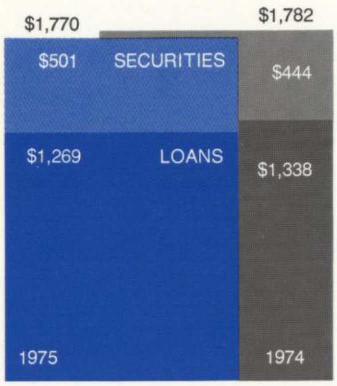
Although well-intentioned, the thrust of such regulations is to force management decisions in accord with what some consider to be the public interest. In this country with a large and diverse population, it's virtually impossible, however, to reach a consensus as to what specifically is in the public's best interest. Competition in a free market economy, rather than regulation, still appears to be the most efficient and effective means of determining that interest.

The shareholders and managers of America's great economic resources would do well to communicate these thoughts throughout the nation in this bicentennial year.

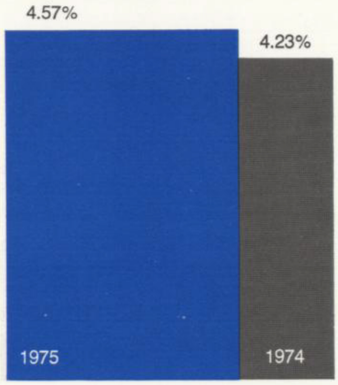
Sophisticated equipment and systems, such as in this trading room, require increasing capital investments by the banking industry.

Financial Review

Earning Assets
(Millions)



Interest Rate Differential
(Taxable Equivalent Basis)



Centran's asset and liability management programs are directed towards maximizing income while simultaneously providing sufficient liquidity to accommodate cyclical and seasonal fluctuations in deposits and in the demand for credit, all within the limitations imposed by available capital and reserves.

Specific objectives for 1975 included constraint of growth in earning assets to the extent necessary to strengthen capital ratios. This goal was substantially attained in 1975 in that average earning assets were somewhat lower than in 1974, while shareholders' equity increased more than $9 million to a total of $134 million at year-end.

This was accomplished through techniques of asset and liability management which served to increase interest differentials whether expressed in dollars or as percentages of earning assets, despite the downward trend of interest rates throughout the year.

Interest Differential

Interest differentials expressed as percentages of average earning assets are shown below (taxable equivalent basis):

	1975	1974	Increase (Decrease)
Composite Yield	8.98%	9.91%	(.93)%
Interest Expense	4.41	5.68	(1.27)
Interest Rate Differential	4.57%	4.23%	.34 %

The increase in the interest rate differential made the single most important contribution to the improvement in Centran's earnings in 1975. In large measure it must be credited to the competence of the asset and liability management group which continuously monitors and interprets economic indices and money markets, taking appropriate action to improve yields on earning assets, and to minimize costs of funds.

Income Other than Interest

Trust fees of $4,220,000 were 8% higher than in 1974, in part due to higher market prices of securities—an important factor in the determination of fees for trust services.

Income from all other sources amounted to $10,363,000 and was over $2 million higher than in 1974. Principal sources of this improvement in revenues were increases in trading account profits—$835,000; International Department income—$311,000; together with increases of nominal amount in numerous other classifications of income.

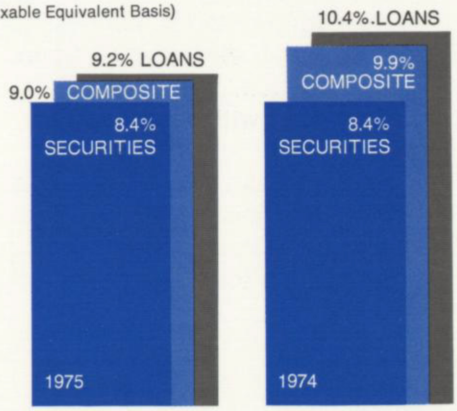
Income Net of Interest

Income net of interest expense reached $82,865,000 compared with $75,437,000 in 1974 reflecting a 10% increase for this year.

Operating Expense

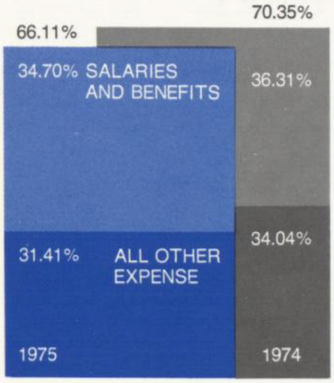
Operating expenses of all classifications totaled $67,477,000 for the year and were $8,567,000 higher than in the preceding year. Of this increase, $6,855,000 resulted from a greatly increased loan loss provision. Salaries, employee benefits, and all other operating expenses (exclusive of the loan loss provision) were only 3.2% higher than in 1974—indicative of rigid control of expenses.

Yields
(Taxable Equivalent Basis)



The ratio of operating expense to gross income has commonly been used by security analysts as a measure of expense control in individual banks. However, this ratio is subject to gross distortion in that increases in leverage serve to reduce the operating expense ratio. A better measure would appear to be the ratio of operating expense (exclusive of loan loss provisions) to income net of interest expense. Centran's ratio of operating expense to income net of interest expense fell from 70.4% in 1974 to 66.1%.

Operating Expense as a Percent of Income
(adjusted for Loan Loss Provision and Interest Expense)



Prior to 1975, amounts charged to operating expenses as loan loss provisions for Centran's bank affiliates were determined in accordance with a five-year moving average formula prescribed by bank regulatory authorities. The large loan losses experienced in 1975 would not have been fully reflected in the Corporation's income statement if determined in accordance with that formula. Accordingly, income in 1975 was charged with an amount in excess of net charge-offs. The loan loss provision in 1975 was $12.7 million, $731,000 more than net charge-offs for the year.

Income Taxes on Operating Earnings

The provision for federal income tax on operating earnings dropped from $1.6 million in 1974 to $275,000 in 1975 due to a decline in income subject to tax, an increase in investment tax credits, and an increase in non-taxable interest income from municipal loans and securities. A reconciliation of the federal income tax, as reported in the Corporation's income statement with the tax as calculated by application of the statutory rate of 48%, is included in the notes to financial statements.

Earnings

Income before security transactions amounted to $15,113,000 for the year and was equivalent to $3.90 per common share—a record for the Corporation. By comparison, earnings of $14,897,000 in 1974 equalled $3.85 per share.

Security Transactions

In the second quarter of the year the market for municipal securities became unsettled and disrupted by the financial crisis of New York City. This provided a unique opportunity for Centran to enter into a series of transactions involving government and municipal securities which improved quality, increased yields, shortened maturities, increased liquidity, and which resulted in after-tax profits of $1,209,000 for that quarter.

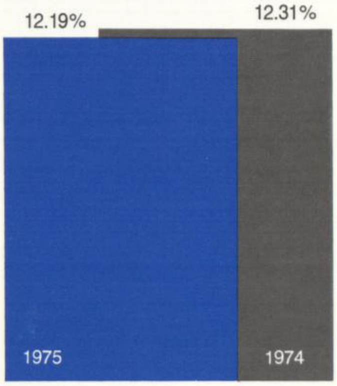
In the fourth quarter of the year a series of transactions implementing another security program resulted in an after-tax loss of $390,000. However, sale proceeds were reinvested at substantially higher yields.

For the full year of 1975, net security gains after taxes were $798,000 compared with $32,000 in 1974.

Net Income

Net income for the year was $15,911,000 compared with $14,929,000 in the preceding year. This was equivalent to $4.11 per share and reflected an increase of 6.5% or 25¢ per share.

Return on Shareholders' Equity



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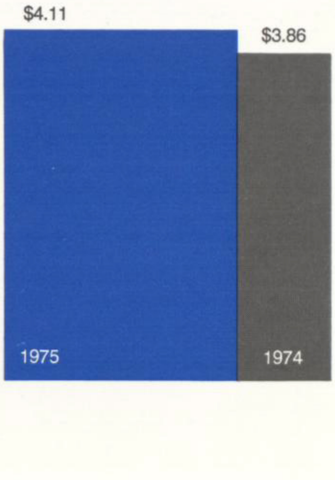
Net Income Per Common Share



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Form 10-K Available to Shareholders

Shareholders may obtain a copy of Form 10-K, filed with the U.S. Securities and Exchange Commission, upon written request to: Mr. Thomas W. Harris, Treasurer, Centran Corporation, 800 Superior Avenue, Cleveland, Ohio 44114. These Forms will be available without charge after March 31, 1976.

Market and Dividend Information

The common stock of Centran Corporation is traded in the over-the-counter market, and the preferred shares are not traded. The high asked and low bid prices of the common shares, as reported by NASDAQ, and the dividends on such shares for each quarterly period during the past two years were:

Quarter	Dividend	High	Low
1974 First	$.425	$ 25	$ 21
Second	.425	23⅛	18
Third	.425	18⅛	16
Fourth	.425	18⅞	14¾
1975 First	.425	20½	14¾
Second	.425	19⅞	18⅜
Third	.425	20⅜	17½
Fourth	.425	18¾	17⅛

Accountants' Report

Board of Directors
Centran Corporation

We have examined the consolidated balance sheets of Centran Corporation and affiliates as of December 31, 1975, and December 31, 1974, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Centran Corporation and affiliates at December 31, 1975, and December 31, 1974, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Cleveland, Ohio
February 5, 1976

Ernst & Ernst

Consolidated Balance Sheets

Assets	December 31, 1975	December 31, 1974
	In Thousands of Dollars	
Earning Assets:		
Commercial Loans	$ 636,824	$ 750,991
Installment Loans	230,466	237,202
Portfolio Mortgage Loans	255,095	267,053
Short-Term Money Market Loans	155,481	80,137
	1,277,866	1,335,383
Less Valuation Reserve	14,735	13,873
Net Loans	1,263,131	1,321,510
Due from Banks—Time	68,549	38,047
U.S. Treasury Securities	107,025	96,800
Federal Agency Securities	54,493	99,398
State and Municipal Securities	322,909	227,448
Other Securities	9,089	9,906
Trading Account Securities	3,067	1,011
Total Earning Assets	1,828,263	1,794,120
Cash and Due from Banks	218,989	261,912
Premises and Equipment	20,260	18,787
Customers' Liability on Acceptances	22,018	46,594
Other Assets	32,462	23,697
Total Assets	$2,121,992	$2,145,110
Liabilities		
Deposits and Borrowed Funds:		
Demand	$ 624,792	$ 641,182
Savings	412,836	380,805
Certificates—Individuals	289,614	277,038
Certificates—Others	294,232	359,927
Other Time	16,808	18,481
Total Deposits	1,638,282	1,677,433
Borrowed Funds	259,102	211,387
Capital Notes—4.75% due December 1, 1989	20,000	20,000
Debentures—7.85% due May 15, 1997	25,000	25,000
Total Deposits and Borrowed Funds	1,942,384	1,933,820
Liability on Acceptances	22,100	46,646
Other Liabilities	23,062	39,442
Total Liabilities	1,987,546	2,019,908
Shareholders' Equity:		
Preferred Stock	2,231	2,231
Common Stock	32,293	32,293
Surplus	65,348	64,848
Retained Earnings	40,256	31,512
Less—Common Stock in Treasury, at Cost	5,682	5,682
Total Shareholders' Equity	134,446	125,202
Total Liabilities and Shareholders' Equity	$2,121,992	$2,145,110

See notes to financial statements.

Consolidated Statements of Income

	1975	1974
	In Thousands of Dollars	
Interest Income:		
Commercial Loans	$ 59,001	$ 81,450
Installment Loans	32,215	28,889
Portfolio Mortgage Loans	18,768	18,292
Short-Term Money Market Loans	4,330	6,663
Due from Banks—Time	2,325	3,986
U.S. Treasury Securities	7,245	5,113
Federal Agency Securities	5,716	3,854
State and Municipal Securities	13,328	11,892
Other Securities	645	657
Trading Account Securities	312	366
Total Interest Income	143,885	161,162
Interest Expense:		
Savings Deposits	17,719	16,650
Certificates—Individuals	17,848	18,903
Certificates—Others	24,517	37,302
Borrowed Funds	12,606	22,079
Capital Notes	950	950
Debentures	1,963	1,963
Total Interest Expense	75,603	97,847
Interest Differential	68,282	63,315
Trust Fees	4,220	3,877
Other Income	10,363	8,245
Income Net of Interest Expense	82,865	75,437
Operating Expense:		
Salaries	23,969	23,043
Pensions, Profit Sharing and Other Employee Benefits	4,786	4,349
Net Occupancy	6,248	5,840
Equipment	2,876	2,611
Provision for Loan Losses	12,694	5,839
Other	16,904	17,228
Total Operating Expense	67,477	58,910
Income Before Income Taxes and Security Transactions	15,388	16,527
Income Taxes Thereon	275	1,630
Income Before Security Transactions	15,113	14,897
Security Gains Less Tax of $697 in 1975 and $29 in 1974	798	32
Net Income	$ 15,911	$ 14,929
Per Common Share:		
Income Before Security Transactions	$ 3.90	$ 3.85
Net Income	4.11	3.86

See notes to financial statements.

Consolidated Statements of Changes in Financial Position

Source of Funds	1975	1974
	In Thousands of Dollars	
From Operations:		
Net Income	$ 15,911	$ 14,929
Items Not Using Funds:		
Provision for Depreciation and Amortization	1,616	1,533
Provision for Loan Losses	12,694	5,839
Deferred Taxes	357	977
Other	248	247
Total from Operations	30,826	23,525
Increases in Liabilities:		
Deposits	—0—	61,321
Borrowed Funds	47,715	31,549
Liability on Acceptances	—0—	24,315
Other Liabilities	—0—	1,916
Decreases in Assets:		
Loans—Net	45,685	—0—
Cash and Due from Banks	42,923	9,441
Customer Liability on Acceptances	24,576	—0—
Other Assets	—0—	6,437
Issuance of Preferred Stock	—0—	2,231
Total	$191,725	$160,735

Application of Funds		
Increases in Assets:		
Loans—Net	$ —0—	$113,908
Securities	62,020	3,763
Due from Banks—Time	30,502	8,335
Customer Liability on Acceptances	—0—	24,263
Additions to Premises and Equipment—Net	3,089	1,391
Other Assets	9,013	—0—
Decreases in Liabilities:		
Deposits	39,151	—0—
Liability on Acceptances	24,546	—0—
Other Liabilities	16,737	—0—
Cash Dividends Declared	6,667	6,631
Purchase of Finance Companies—Loans and Other Assets Acquired Less Borrowed Funds and Other Liabilities Assumed	—0—	2,231
Other	—0—	213
Total	$191,725	$160,735

See notes to financial statements.

Consolidated Statements of Shareholders' Equity

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Treasury Stock
	In Thousands of Dollars				
Balance at January 1, 1974	$ —0—	$32,293	$64,798	$23,444	$ 5,682
Net Income for the Year				14,929	
Cash Dividends Declared:					
Series B Preferred Stock $3.92 Per Share				(38)	
Series C Preferred Stock $3.87 Per Share				(70)	
Common Stock $1.70 Per Share				(6,523)	
Minimum Federal Income Tax Relating to Transfer to Loan Reserve				(180)	
Transfer from Retained Earnings to Surplus			50	(50)	
Issuance of 27,848 Shares of Preferred Stock in Connection with Acquisitions	2,231				
Balance at December 31, 1974	2,231	32,293	64,848	31,512	5,682
Net Income for the Year				15,911	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(94)	
Common Stock $1.70 Per Share				(6,523)	
Transfer from Retained Earnings to Surplus			500	(500)	
Balance at December 31, 1975	$ 2,231	$32,293	$65,348	$40,256	$ 5,682

See notes to financial statements.

Notes to Financial Statements

Accounting Policies.

Consolidation. The consolidated financial statements include the accounts of Centran and all affiliates.

Intangibles. Amounts assigned to customer lists in connection with acquisitions are amortized by the straight-line method over periods of four years or five years; amounts assigned to goodwill are amortized over forty years.

Income. Interest on loans and securities is recognized in the period in which it is earned by bank affiliates and in the period collected by finance company affiliates; trust fees and income from certain other sources are recognized, for the most part, on a cash collected basis in accordance with industry practice.

Foreign Exchange. Items comprising the foreign exchange position are valued at current rates of exchange, and related gains or losses resulting therefrom are included in other income.

Other. For other accounting policies, see related notes for: Valuation Reserve—Loans; Securities; Premises and Equipment; Pension Plan; and Income Tax.

Business Combinations. During 1974, Centran purchased two finance companies by issuance of 30,148 shares of its serial preferred stock. On January 10, 1975, pursuant to the terms of one of the purchase agreements, 2,300 shares of such preferred stock were returned and cancelled.

These acquisitions were accounted for as purchase transactions. Results of operations of these companies are included in the consolidated statement of income since dates of acquisition. The excess of cost over net tangible assets was assigned to customer lists and goodwill. Had the acquisitions taken place as of January 1, 1974, the effect on Centran's consolidated income statement for 1974 would not have been material.

On August 14, 1975, the Board of Directors of Centran Corporation authorized Management to discontinue operations of the Ben Gordon Finance Co., Inc., and to liquidate its assets. On October 10, 1975, most of the loans of the Company were sold at their approximate book value. It is anticipated that the effect of discontinuance of operations and any loss resulting from final liquidation will not be material.

Continued

Valuation Reserve—Loans. Revised regulations of the Securities & Exchange Commission in combination with proposed reporting requirements of bank regulatory authorities, have dictated reclassification of the consolidated reserve for loan losses of bank affiliates into three component parts:

1. The valuation portion which reflects loan loss provisions charged to income in excess of net amounts charged off.
2. The contingency portion which reflects additional loan loss provisions deducted for federal income tax purposes, but recorded in financial statements by transfer from retained earnings rather than by charge to income.
3. The deferred tax portion which relates to the tax benefit on the contingency portion.

In the Corporation's balance sheet on page 15, the valuation portion of the reserve has been combined with the "Allowance for Loan Losses" of finance company affiliates under the caption, "Valuation Reserve," and is reported as a deduction from loans. The contingency portion of the reserve has been added to retained earnings, and the deferred tax portion is included in other liabilities.

Figures for 1974 have been restated to conform to these revised reporting requirements. These reclassifications did not affect net income in either year, and they do not in any way reduce the Corporation's capacity to absorb loan losses.

Finance company affiliates base their loan loss provisions upon experience, modified by current evaluation of the collectibility of loans in their portfolios. Prior to 1975, bank affiliates charged income with minimum loan loss provisions calculated in accordance with a five-year moving average formula prescribed by bank regulatory authorities. Loan losses were incurred in 1975 in amounts which would not be fully reflected in the Corporation's income statement if loan loss provisions were determined by the moving average formula. In recognition of these conditions, income has been charged with an amount in excess of net charge-offs.

The reserve for loan losses for federal income tax purposes was $19,906,000 at December 31, 1975, and $20,054,000 on December 31, 1974. The differences between these amounts and those reported in the financial statements reflect additional reserves accumulated under the internal revenue code and regulations.

Changes in the valuation reserve are shown in the following schedule:

	Bank Affiliates	Finance Company Affiliates	Consolidated
	(In Thousands of Dollars)		
Balance at January 1, 1974	$11,482	$ 526	$12,008
Reserves Acquired by Purchase		327	327
Charged to Operating Expense	4,751	1,088	5,839
Recoveries	573	87	660
Loans Charged Off	(4,361)	(600)	(4,961)
Balance at December 31, 1974	12,445	1,428	13,873
Reserves Acquired by Purchase		131	131
Charged to Operating Expense	12,002	692	12,694
Recoveries	743	154	897
Loans Charged Off	(11,845)	(1,015)	(12,860)
Balance at December 31, 1975	$13,345	$1,390	$14,735

Securities. Investment securities are carried at cost adjusted for amortization of premiums and, beginning in 1975, accretion of discounts computed by the straight-line method. Gains or losses on the sale of investment securities, computed by using adjusted costs of the specific certificates sold, are shown separately in the income statement. Trading account securities are carried at the lower of cost or market, and interest thereon is included in interest income, while gains or losses are included in other income.

Securities with a book value of $206,038,000 at December 31, 1975 were pledged to secure trust and public funds on deposit.

The approximate market value of securities was $474,681,000 at December 31, 1975 and $420,753,000 at December 31, 1974. At year-end 1975, the book value of securities was approximately $21,902,000 in excess of market value.

Premises and Equipment. Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined primarily by the straight-line method at rates estimated to absorb the cost over the useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the terms of the respective leases, whichever is shorter. Estimated useful lives are: buildings 40-50 years; leasehold improvements 10-30 years; equipment and furniture 3-12 years. Maintenance, repairs, renewals and minor improvements are charged to expense as incurred, whereas, major improvements are capitalized. Net gain or loss on properties sold or otherwise disposed of is included in operating expense. Book values of properties sold or otherwise retired and related

Continued

Notes to Financial Statements *(Continued)*

allowances for depreciation are eliminated from the accounts at the time of disposal.

	Cost	Accumulated Depreciation and Amortization	Net Book Value
	(In Thousands of Dollars)		
Land	$ 3,495	$ —0—	$ 3,495
Buildings	9,438	4,192	5,246
Leasehold Improvements	10,035	3,223	6,812
Equipment and Furniture	11,701	6,994	4,707
Total at December 31, 1975	$34,669	$14,409	$20,260
Land	$ 3,257	$ —0—	$ 3,257
Buildings	8,264	3,878	4,386
Leasehold Improvements	9,639	3,040	6,599
Equipment and Furniture	10,780	6,235	4,545
Total at December 31, 1974	$31,940	$13,153	$18,787

Borrowed Funds. The caption, "Borrowed Funds," includes the following items:

	December 31, 1975	December 31, 1974
	(In Thousands of Dollars)	
Federal Funds Purchased	$158,682	$ 65,500
Securities and Loans Sold Under Agreements to Repurchase	49,165	85,369
Commercial Paper	12,670	19,008
Notes Payable Within One Year	33,416	34,716
Notes Payable After One Year	5,169	6,794
	$259,102	$211,387

Debentures. The related indenture provides that annual sinking fund payments of $900,000 commence in 1982. Retained earnings of $35,638,000 were available for cash dividends at December 31, 1975, under cash dividend restrictions of the indenture.

Capital Stock. The Corporation is authorized to issue 500,000 shares of Serial Preferred Stock, without par value, of which 9,700 shares (after return and cancellation of 2,300 shares on January 10, 1975) designated Series B, and 18,148 shares designated Series C, were outstanding at December 31, 1975 and 1974. The Series B and Series C shares have voting rights and liquidation values of $150.00 and $135.00, respectively, and each share is convertible into three common shares. Each Series B share has a stated value of $85.50, an annual cumulative dividend rate of $5.22, and is redeemable at the option of the shareholder at $150.00 after December 1, 1979. Each Series C share has a stated value of $77.25, an annual cumulative dividend rate of $5.16, and a required redemption of $135.00 on June 1, 1979. The aggregate liquidation value of the Preferred Stock is $1,674,000 over the stated value thereof.

Authorized Common Stock is 7,500,000 shares of $8.00 par value. After deduction of 200,000 shares in treasury there were 3,836,639 common shares outstanding at December 31, 1975 and 1974.

Stock Options. Under the 1973 Stock Option Plan, the 200,000 common shares held in treasury are reserved for sale to certain officers of the Corporation or affiliates at a price equal to the fair market value of the shares on the date options are granted. Qualified options expire five years from the date granted and will not become exercisable while there is outstanding an earlier exercisable option to the same optionee carrying a higher option price. Nonqualified options expire ten years from the date granted and may be exercised by an optionee even though he holds an earlier exercisable option carrying a higher option price. Generally, not more than half of the shares granted become exercisable in any one year beginning at the date of grant. Options for 65,000 shares were granted on December 11, 1975, at $17.75 per share, and will become exercisable to the extent of 48,750 shares in 1976 and 16,250 shares in 1977.

At December 31, 1974 there were 30,100 options outstanding for an aggregate option price of $760,000 of which 22,575 were exercisable as of that date. At December 31, 1975 there were outstanding 92,700 options at an aggregate option price of $1,853,000 of which 27,700 were exercisable at $25.25 per share.

Pension Plans. Pension plans cover substantially all employees and are funded by annual contributions to pension trusts. Pension expense amounted to $1,340,000 in 1975 and $834,000 in 1974. The increased expense in 1975 resulted from higher costs related to pension plan amendments necessitated primarily by the Employee Retirement Income Security Act of 1974; by depressed market values of investment securities held in trust; and a higher salary base. At December 31, 1975, the value of pension fund assets approximated vested benefits under the plans. The effect of the Employee Retirement Income Security Act of 1974 on future pension expense, vested benefits, and funding has not been completely determined.

Continued

Leases. Rental expense for office space and equipment amounted to $4,396,000 and $4,033,000 in 1975 and 1974, respectively. The future rental commitments as of December 31, 1975 for all noncancelable leases are as follows:

	Office Space	Equipment	Total
	(In Thousands of Dollars)		
1976	$ 2,657	$1,112	$ 3,769
1977	2,591	847	3,438
1978	2,525	15	2,540
1979	2,448	15	2,463
1980	2,337	15	2,352
1981—1985	11,011	26	11,037
1986—1990	10,323	—0—	10,323
1991—1995	9,743	—0—	9,743
1996—and later	8,324	—0—	8,324
	$51,959	$2,030	$53,989

The main office of Central National Bank was leased in 1969 for a 30-year period, with options to renew the lease for two 15-year periods. In addition, the Bank has the option to purchase the building at certain specified times for an amount not less than lessor's cost. If the Bank does not exercise its option to purchase by 1999, it shall receive from the lessor a 25 percent interest in the building.

Income Taxes. For income tax purposes, certain items of income and expense are reported in taxable years other than those in which such amounts are reported in financial statements. Net income is not affected by this practice, as tax consequences resulting therefrom are reflected in the tax provision. Investment tax credits are accounted for by the flow-through method.

The following schedule presents a reconciliation of the Corporation's effective Federal Income Tax rate as compared to the statutory rate of 48%:

	Amount		Percent of Pre-Tax Income	
	1975	1974	1975	1974
	(In Thousands of Dollars)			
Income tax at 48% of income before income taxes and security transactions	$ 7,386	$ 7,933	48.0 %	48.0 %
Dividend and interest income not subject to Federal income tax	(6,646)	(6,260)	(43.2)	(37.8)
Excess provision of prior years	(328)	—0—	(2.1)	—0—
Investment tax credit	(307)	(158)	(2.0)	(1.0)
Other (net)	170	115	1.1	.7
Income tax provision	$ 275	$ 1,630	1.8 %	9.9 %

Composition of the Provision for Income Taxes for the years ended December 31, 1975 and December 31, 1974 was as follows:

	1975	1974
	(In Thousands of Dollars)	
Current		
Domestic Federal Income Tax	$(657)	$ 53
Foreign Taxes	575	600
Deferred		
Domestic Federal Income Tax	357	977
Foreign Taxes	—0—	—0—
Total	$ 275	$1,630

The components of deferred income taxes for the years ended December 31, 1975 and December 31, 1974 result from the use of the following:

	1975	1974
	(In Thousands of Dollars)	
Provision for Loan Losses	$(327)	$ 574
Cash Basis Tax Reporting	433	(308)
Prior Years' Foreign Tax Credits	—0—	654
Other	251	57
Total	$ 357	$ 977

Income per Common Share. Income per common share, after adjustment for preferred dividends, is based on 3,836,639 average shares outstanding in both years.

Commitments and Contingent Liabilities. In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, future contracts, guarantees, etc., which are not reflected in the financial statements, including $10,090,000 of standby letters of credit outstanding at December 31, 1975. No material losses are anticipated as a result of any of these types of transactions.

In addition to routine litigation in the ordinary course of business, there are lawsuits pending which involve claims for substantial monetary damages. While it is impossible to predict with certainty the ultimate legal and financial responsibility in these lawsuits, it is management's opinion that these claims are not meritorious and should not have a material effect on the consolidated financial statements.

Management's Discussion and Analysis of the Summary of Operations

Net income for the Corporation increased 6.6% in 1975 following a gain of 18.4% in 1974. There follows herewith a description of material changes in the components of net income for these years.

Analysis of Changes in Net Income
1974-1975

The seriously depressed economy of 1975 resulted in substantially reduced demand for credit with interest rates trending downward throughout most of the year. The year was characterized by high unemployment and increasing numbers of business failures. Most banks experienced unusually large loan losses as a result of these conditions. Centran deliberately curtailed asset growth to strengthen capital ratios, and revised the structure of its portfolio of earning assets to increase liquidity.

A decline of $17.3 million in interest income resulted from lower interest rates (8.98% in 1975 vs 9.91% in 1974—both stated on a fully taxable equivalent basis) in combination with an average decrease of $12.1 million in earning assets.

The general decline in interest rates in combination with reduced borrowings effected a material reduction in interest expense—$22.2 million for the year. Of this amount, $20.6 million resulted from a lower composite rate of interest paid on borrowings and interest bearing deposits, and $1.6 million was due to a $20.6 million reduction in such funds.

Despite the $12.1 million decline in average earning assets, the interest differential increased from $63.3 million in 1974 to $68.3 million in 1975.

Income from all other sources was $2.1 million or 25.7% higher than in 1974. Principal sources of this increased revenue were: trading account profits—$835,000—largely the result of improved techniques in dealing in U.S. Government bills and securities; International Department income from larger and more profitable volumes of transactions in acceptances, letters of credit, and foreign exchange—$311,000; and increases of nominal amounts in numerous other classifications of income.

Operating expenses (exclusive of the loan loss provision and federal income tax on operating earnings) were only 3.2% higher than in 1974—the result of rigid control of all classifications of expense. Salaries and employee benefits were $1.4 million or 5% higher than in 1974, largely reflecting merit and promotional increases in salary inasmuch as the number of employees was held nearly constant. Control of certain other classifications of expense resulted in sizable reductions: stationery and printing—$249,000; postage and shipping—$58,000; and advertising expense—$180,000. Nominal increases were experienced in most other expense classifications except taxes other than income taxes which were $786,000 higher than in the preceding year. This included increases in payroll taxes, Ohio deposit tax, capital stock tax and other types of taxes.

The provision for federal income tax on operating earnings dropped from $1.6 million in 1974 to $275,000 in 1975 as a result of a decline in income subject to tax, an increase in investment tax credits, and an increase in non-taxable interest income from municipal loans and securities.

Prior to 1975, amounts charged to operating expenses as loan loss provisions for Centran's bank affiliates were determined in accordance with a five-year moving average formula prescribed by bank regulatory authorities. Loan losses in 1975 would not have been fully reflected in the Corporation's income statement if determined in accordance with that formula. Accordingly, income in 1975 was charged with an amount in excess of net charge-offs. The loan loss provision was $12.7 million in 1975—$6.9 million higher than in 1974, and $731,000 more than net charge-offs for the year.

Security gains net of taxes amounted to $798,000 in 1975 compared with $32,000 in 1974. Market conditions provided opportunities to take profits in excess of $1.2 million in the second quarter of the year. Reinvestment of the proceeds from sales of securities served to materially increase liquidity. In the fourth quarter of the year security losses after taxes amounted $390,000, but sale proceeds were reinvested at higher yields.

Continued

Analysis of Changes in Net Income
1973-1974

During 1974, total earning assets averaged nearly $1.8 billion and were $130 million higher than in 1973. Most of this increase was in portfolio loan classifications as the Corporation sought to satisfy credit requirements of its customers. The heavy demand for credit in combination with restraints imposed by the Federal Reserve resulted in an increase in the composite yield on the Corporation's earning assets from 8.17% in 1973 to 9.91% in 1974 (rates expressed on a fully taxable equivalent basis). In consequence, interest income of $161 million was up 32.2% or $39 million as compared with that of 1973. Of this amount, $10 million resulted from increased earning assets and $29 million from the increase in the composite yield on earning assets.

Interest expense of $98 million paid on deposits and borrowings was $26 million higher than in 1973, of which $8 million was due to increased volume of funds on which interest was paid, and $18 million was due to higher rates paid for such funds.

Other income of $8.2 million was $1.2 million higher than in 1973. Within that category, Miscellaneous International Operations income increased by $341,000, due chiefly to increased volume in acceptance and commercial letter of credit activity. Service charges on loans and deposits increased by $836,000 primarily due to increases in commercial loan volume. Other income producing activities such as securities handling services, utility bill handling, escrow charges, insurance commissions, and similar banking related services were sources of increased income. In addition, increased service charges were realized from a higher volume of deposits and from late fees on a larger installment loan portfolio.

Salary and employee benefit expenses of $27.4 million were $4.5 million higher than in 1973. Major factors causing this increase were merit and cost of living adjustments in salaries plus the salaries of employees added to the Corporation's payrolls through finance company acquisitions, all in combination with increases in employee benefits which resulted therefrom.

The minimum loan loss provision (calculated in accordance with the five-year moving average formula) rose from $4.2 million in 1973 to $5.8 million in 1974. This resulted from a higher loan loss ratio applied to a substantially larger loan portfolio.

The provision for federal income tax on operating earnings was $1.8 million higher than in 1973, entirely due to an increase in income subject to tax.

Other operating expenses totaled $25.7 million and were $4.4 million higher than in the preceding year. This resulted from an expanded volume of business activity in combination with higher prices paid for goods and services. Increases of material amount were experienced in the following expense classifications: occupancy costs—$647,000; rental expense—$421,000; telephone and telegraph costs—$297,000; postage—$274,000; and stationery and printing—$535,000. Also contributing to the increase in other operating expense was an increase of $509,000 in expenditures for advertising designed to attract additional loan and deposit business as an offset to increased costs of doing business in an inflationary period. Charges for various legal, accounting, and professional fees rose by $767,000 for the year, as increased services of specialists in various professions became necessary to comply with complex changes in rules, regulations, and reporting requirements to which bank holding companies have become subject. In addition, services of experts in the areas of employee wage and benefit programs, computer systems, and other business areas were also retained.

Supplementary Statistical Information

Investment Portfolio.

The investment portfolio at December 31, 1975, and related information is set forth in the following table:

(Dollars in Thousands)	Par Value	% of Total	Book Value	Average Maturity	1975 Average	1975 Yield*
U.S. Treasury	$107,333	21.75%	$107,025	1 Yr. 2 Mo.	$104,398	6.93%
Federal Agency	54,557	11.05	54,493	1 Yr. 4 Mo.	74,294	7.69
State & Municipal	317,091	64.24	322,909	6 Yrs. 1 Mo.	272,497	9.38
Other	11,549	2.34	9,089	6 Yrs. 9 Mo.	14,074	6.80
Trading Account	3,062	.62	3,067	1 Yr. 6 Mo.	5,275	6.69
Total	$493,592	100.00%	$496,583	4 Yrs. 6 Mo.	$470,538	8.47%

**Fully taxable equivalent basis*

Book value of the entire security portfolio was $21,902,000 more than the market value. The year-end portfolio includes bonds (not notes) of New York City as follows (in thousands of dollars):

Maturity	Par Value	Book Value	Market Value
Less than 1 Year	$ 5,950	$ 5,989	$ 5,670
1 to 3 Years	—0—	—0—	—0—
Over 3 Years	50	49	26
Total	$ 6,000	$ 6,038	$ 5,696

New York City obligations with par values totaling $1,100,000 were paid at maturity in January, 1976. None of the obligations Centran holds are subject to the moratorium agreement, and none are obligations issued by the Municipal Assistance Corporation.

Loan Portfolio.

Composition of Centran's loan portfolio is scheduled below:

	Dec. 31, 1975	Daily Average 1975
	(In Thousands of Dollars)	
Commercial Loans	$ 636,824	$ 694,729
Installment Loans	230,466	233,462
Portfolio Mortgage Loans	255,095	260,910
Short-Term Money Market Loans	155,481	80,293
	$1,277,866	$1,269,394

Commercial loans are transferred to non-accrual status when any payment of interest or principal is more than thirty days past due. At December 31, 1975, all non-accrual commercial loans totaled $19,111,000. Interest earned but not collected (and not accrued) on these loans amounted to $1,186,000 at year-end. The $19,111,000 total of such loans equalled 1½% of total loans. Loans to real estate investment trusts and to mortgage companies are included in the category, "commercial loans," and totaled $31,357,000 at year-end. Of this amount, $6,308,000 has been placed in non-accrual status and is included in the total of $19,111,000 of non-accrual loans reported above.

Centran did not sponsor a real estate investment trust and has never served in an investment advisory capacity to a real estate investment trust.

Installment loans of bank affiliates are charged off when 90 days contractually delinquent. Installment loans of finance company affiliates are charged off when 210 days contractually delinquent. Effectively, installment loans are charged off when they become delinquent with the result that this classification includes no non-accrual loans.

Mortgage loans without government guarantees are placed in non-accrual status when foreclosure proceedings are instituted—usually when less than six months delinquent. Non-accrual loans in the portfolio mortgage loan classification are negligible. Real estate acquired through foreclosure proceedings on delinquent mortgage loans is included in the classification, "other assets," in the balance sheet, and amounted to $498,000 at year-end.

No delinquency or loss has ever been experienced on short-term money market loans.

Continued

Continuing attention has been devoted to analysis and review of loans to identify those with potential for loss. A thorough review of problem loans at year-end, and a second review of recent date indicates that, in our judgment, the valuation reserve is adequate to cover all potential losses presently foreseen.

Deposits, Long-Term Debt and Funds Borrowed.

Daily averages for five classifications of deposits and for total deposits for the years 1970 to 1975 inclusive are included in the schedules on page 28 of this report.

Long-term debt and funds borrowed are shown in the following schedule in daily averages (in thousands of dollars):

	1975	1974	1973	1972	1971	1970
Commercial Paper	$ 12,857	$ 12,150	$ —0—	$ —0—	$ —0—	$ —0—
Capital Notes—4.75% Due 1989	20,000	20,000	20,000	20,000	20,000	20,000
Debentures—7.85% Due 1997	25,000	25,000	25,000	14,276	—0—	—0—
Other Borrowings (Short-Term)*	206,150	227,640	181,924	111,640	81,367	76,336
Other Borrowings (Long-Term)	15,689	14,697	5,958	5,686	240	271
Total	$279,696	$299,487	$232,882	$151,602	$101,607	$ 96,607

**Gross*

Return on Equity and on Assets.

Ratios of Net Income to average shareholders' equity and to average total assets for the last six years are listed below:

	Ratios	
	Net Income to Shareholders' Equity	Net Income to Average Total Assets
1975	12.19%	.751%
1974	12.31	.697
1973	11.29	.644
1972	11.11	.691
1971	10.48	.717
1970	10.38	.756

Interest Rates and Interest Differential.

In the following chart, the interest differential for each of the last six years is shown with composite rates paid on deposits and borrowings expressed as percentages of total earning assets:

Interest Differential
(Fully taxable equivalent basis)

	1975	1974	1973	1972	1971	1970
Interest Income	8.98%	9.91%	8.17%	7.11%	7.42%	8.17%
Interest Expense	4.41	5.68	4.45	3.34	3.48	3.79
Differential	4.57%	4.23%	3.72%	3.77%	3.94%	4.38%

A rate-volume analysis of interest income and interest expense for the years 1975 and 1974 is shown below:

Rate-Volume Analysis

(In Thousands of Dollars)				Resulting from Increase (Decrease) in:	
	1975	1974	Increase (Decrease)	Interest Rates	Average Volume
Interest Income	$143,885	$161,162	$(17,277)	$(16,088)	$(1,189)
Interest Expense	75,603	97,847	(22,244)	(20,687)	(1,557)
Differential	$ 68,282	$ 63,315	$ 4,967	$ 4,599	$ 368

				Resulting from Increase (Decrease) in:	
	1974	1973	Increase (Decrease)	Interest Rates	Average Volume
Interest Income	$161,162	$121,875	$ 39,287	$ 29,689	$ 9,598
Interest Expense	97,847	72,086	25,761	17,763	7,998
Differential	$ 63,315	$ 49,789	$ 13,526	$ 11,926	$ 1,600

Continued

Supplementary Statistical Information *(Continued)*

Foreign Banking Operations.

Foreign loans, investments, and deposits of international operations as of December 31, 1975, are as follows (in thousands of dollars):

By Category:

Assets		Deposits	
Foreign Loans and		Demand	$ 10,020
Investments:		Time Deposits—	
Foreign Loans (a)	$136,914	Eurocurrencies (d)	91,352
Edge Act Loans (a)	15,682		
Certificates of Banks— Eurocurrencies (b)	17,300		
Due from Foreign Banks (c)	1,172		
Total	$171,068		$101,372

Location in Balance Sheet:

(a) *Included in Commercial Loans*

(b) *Included in Due from Banks–Time*

(c) *Included in Cash & Due from Banks*

(d) *Included in Certificates–Others*

By Geographical Grouping and Currency:

	Foreign Assets		
	By Geographical Grouping	By Currency	Foreign Deposits By Currency
United States	$ —0—	$167,975	$ 99,840
Canada	3,598	470	1,532
Europe	49,465	2,043	—0—
Latin America & Caribbean	93,976	575	—0—
Asia	5,199	—0—	—0—
Africa	9,466	—0—	—0—
Oceania	1,488	5	—0—
U. S. Possessions	7,876	—0—	—0—
Total	$171,068	$171,068	$101,372

Loan Loss Experience.

Centran's loan loss experience for the years 1970 to 1975 inclusive is reported in the table below (in thousands of dollars):

	1975	1974	1973	1972	1971	1970
Average Total Loans	$1,269,394	$1,338,572	$1,216,183	$1,016,300	$791,435	$724,318
Average Valuation Reserve	15,767	13,611	12,898	11,645	12,173	15,150
Gross Loans Charged Off	12,860	4,961	4,801	3,252	5,318	3,924
Recoveries	897	660	605	590	287	364
Net Loans Charged Off	11,963	4,301	4,196	2,662	5,031	3,560
Provision Charged to Income	12,694	5,839	4,176	3,009	2,364	1,299
Ratio of Net Charge-Offs to Average Loans	.94%	.32%	.35%	.26%	.64%	.49%

Six-Year Comparative Summary of Operations

	1975	1974	1973	1972	1971	1970
Consolidated Statements of Income			In Thousands of Dollars			
Interest Income:						
Commercial Loans	$ 59,001	$ 81,450	$ 54,166	$ 32,919	$ 31,903	$ 33,494
Installment Loans	32,215	28,889	20,407	17,028	14,873	15,676
Portfolio Mortgage Loans	18,768	18,292	16,712	16,114	10,020	10,190
Short-Term Money Market Loans	4,330	6,663	8,043	3,961	1,935	1,617
Due from Banks—Time	2,325	3,986	2,015	1,401	3,156	4,601
U.S. Treasury Securities	7,245	5,113	6,143	6,073	5,958	6,326
Federal Agency Securities	5,716	3,854	1,760	1,863	609	866
State and Municipal Securities	13,328	11,892	11,491	11,342	10,417	8,364
Other Securities	645	657	675	597	222	204
Trading Account Securities	312	366	463	375	283	—0—
Total Interest Income	143,885	161,162	121,875	91,673	79,376	81,338
Interest Expense:						
Savings Deposits	17,719	16,650	16,397	15,181	12,441	12,396
Certificates—Individuals	17,848	18,903	14,317	11,781	7,948	7,019
Certificates—Others	24,517	37,302	24,479	14,462	16,666	15,675
Borrowed Funds	12,606	22,079	13,980	4,713	3,926	5,749
Capital Notes	950	950	950	950	950	950
Debentures	1,963	1,963	1,963	1,117	—0—	—0—
Total Interest Expense	75,603	97,847	72,086	48,204	41,931	41,789
Interest Differential	68,282	63,315	49,789	43,469	37,445	39,549
Trust Fees	4,220	3,877	3,812	3,641	3,221	2,953
Other Income	10,363	8,245	7,069	7,087	6,638	5,066
Income Net of Interest Expense	82,865	75,437	60,670	54,197	47,304	47,568
Operating Expense:						
Salaries and Employee Benefits	28,755	27,392	22,926	20,416	17,910	17,771
Provision for Loan Losses	12,694	5,839	4,176	3,009	2,364	1,299
Other Operating Expenses	26,028	25,679	21,256	18,808	15,725	15,253
Income Taxes	275	1,630	(170)	250	485	2,096
Total Operating Expenses	67,752	60,540	48,188	42,483	36,484	36,419
Income Before Security Transactions	15,113	14,897	12,482	11,714	10,820	11,149
Security Transactions	1,495	61	234	790	(1,248)	(2,757)
Applicable Income Taxes	697	29	112	367	(605)	(1,356)
Security Transactions After Taxes	798	32	122	423	(643)	(1,401)
Net Income	$ 15,911	$ 14,929	$ 12,604	$ 12,137	$ 10,177	$ 9,748

Data has been restated to include accounts of affiliates acquired in transactions treated as poolings-of-interests; data of affiliates acquired in purchase transactions is included since dates of acquisitions.

Six-Year Comparative Summary

	1975	1974	1973	1972	1971	1970
			In Thousands of Dollars			
Selected Balance Sheet Averages (a)(g)						
Commercial Loans	$ 694,729	$ 775,069	$ 685,042	$ 528,397	$ 471,593	$ 410,507
Installment Loans	233,462	225,268	177,727	149,712	128,535	132,342
Portfolio Mortgage Loans	260,910	262,265	247,886	244,565	152,333	158,266
Short-Term Money Market Loans	80,293	75,970	105,528	93,626	38,974	23,203
Due from Banks—Time	30,366	38,759	22,541	20,402	39,962	50,244
U.S. Treasury	104,398	85,181	111,185	111,320	108,151	105,636
Federal Agency	74,294	53,295	28,342	29,870	11,017	14,502
State and Municipal	272,497	249,406	253,548	257,063	242,902	201,481
Other	14,074	12,098	12,755	14,777	7,161	5,610
Trading Account	5,275	5,040	7,544	6,742	4,651	—0—
Earning Assets	1,770,298	1,782,351	1,652,098	1,456,474	1,205,279	1,101,791
Valuation-Reserve	(15,767)	(13,611)	(12,898)	(11,645)	(12,173)	(15,150)
Total Assets/Liabilities	$2,118,018	$2,142,920	$1,956,123	$1,757,403	$1,418,951	$1,290,132
Demand	$ 596,577	$ 613,788	$ 593,283	$ 564,200	$ 482,316	$ 463,093
Savings	396,096	383,829	392,435	389,078	308,534	291,639
Certificates—Individuals	291,128	283,708	250,478	225,788	148,500	132,556
Certificates—Others	337,446	357,907	317,315	273,615	260,989	194,605
Other Time	12,980	14,264	11,404	9,712	5,895	5,918
Total Deposits	1,634,227	1,653,496	1,564,915	1,462,393	1,206,234	1,087,811
Borrowed Funds	234,696	254,487	187,882	117,326	81,607	76,607
Capital Notes	20,000	20,000	20,000	20,000	20,000	20,000
Debentures	25,000	25,000	25,000	14,276	—0—	—0—
Shareholders' Equity	130,540	121,240	111,641	109,248	97,139	93,947

Percentage Distribution of Assets, Liabilities and Capital	1975	1974	1973	1972	1971	1970
Loans	59.9%	62.5%	62.2%	57.8%	55.8%	56.2%
Valuation—Reserve	(.7)	(.6)	(.7)	(.7)	(.8)	(1.2)
Securities	23.6	20.7	22.3	25.0	29.1	29.2
Cash and Due from Banks	12.5	12.8	12.9	14.6	13.7	13.8
Other Assets	4.7	4.6	3.3	3.3	2.2	2.0
Total Assets/Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deposits	77.1%	77.1%	80.0%	83.2%	85.0%	84.3%
Other Borrowed Money	13.2	14.0	11.9	8.6	7.2	7.5
Other Liabilities	3.5	3.2	2.4	2.0	1.0	.9
Shareholders' Equity	6.2	5.7	5.7	6.2	6.8	7.3

	1975	1974	1973	1972	1971	1970
Yields on Assets (b) (c)						
Commercial Loans	8.78%	10.87%	8.10%	6.33%	6.87%	8.30%
Installment Loans	13.79	12.82	11.48	11.37	11.57	11.85
Portfolio Mortgage Loans	7.19	6.97	6.74	6.59	6.58	6.44
Short-Term Money Market Loans	6.18	10.56	8.69	4.81	4.96	6.97
Due from Banks—Time	7.57	10.32	9.17	5.52	7.90	9.16
U.S. Treasury Securities	6.93	6.00	5.53	5.46	5.51	5.99
Federal Agency Securities	7.69	7.23	6.21	6.24	5.53	5.97
State and Municipal Securities	9.38	9.17	8.72	8.49	8.25	8.17
Other Securities	6.80	6.82	5.29	5.91	3.10	3.64
Trading Account Securities	6.69	7.72	6.28	5.80	6.08	—0—
Composite Yield	8.98	9.91	8.17	7.11	7.42	8.17
Effective Interest Rates Paid (c)						
Savings Deposits	4.47%	4.34%	4.18%	3.90%	4.03%	4.25%
Certificates—Individuals	6.13	6.66	5.72	5.22	5.35	5.30
Certificates—Others	7.28	10.42	7.73	5.29	6.39	8.05
Borrowed Funds	6.44	9.96	8.17	4.48	4.81	7.50
Capital Notes	4.75	4.75	4.75	4.75	4.75	4.75
Debentures	7.85	7.85	7.85	7.85	—0—	—0—
Composite Rate Paid	5.99	7.55	6.10	4.64	5.08	5.79
Interest Rate Differential (b)	4.57%	4.23%	3.72%	3.77%	3.94%	4.38%
Ratios (c)						
Operating Income/Gross Income	9.54%	8.60%	9.40%	11.44%	12.13%	12.48%
Return on Shareholders' Equity	12.19	12.31	11.29	11.11	10.48	10.38
Loans as a % of Assets	59.93	62.46	62.17	57.83	55.78	56.14
Shareholders' Equity as a % of Assets	6.16	5.66	5.71	6.22	6.85	7.28
Percent of Net Income to Total Assets	.751	.697	.644	.691	.717	.756
Per Common Share						
Income Before Security Transactions (d)	$ 3.90	$ 3.85	$ 3.27	$ 2.98	$ 2.92	$ 3.01
Net Income (d)	4.11	3.86	3.30	3.09	2.75	2.63
Dividends (e)	1.70	1.70	1.70	1.70	1.60	1.53
Book Value at Year-End (f)	34.46	32.05	29.94	28.38	26.96	25.99
Average Shares Outstanding	3,836,639	3,836,639	3,815,640	3,930,547	3,706,160	3,703,359

(a) *Data has been restated to include accounts of affiliates acquired in transactions treated as poolings-of-interests; data of affiliates acquired in purchase transactions is included since dates of acquisitions.*

(b) *Stated on a fully taxable equivalent basis.*

(c) *Based on average balances.*

(d) *Based on average number of shares outstanding adjusted for stock split and income net of dividends on preferred stock.*

(e) *Adjusted for three for two stock split May, 1970. Prior to 1972 dividends reported are those of Central National Bank of Cleveland.*

(f) *Based on number of shares outstanding at year-ends adjusted for stock split.*

(g) *Inter-company accounts not eliminated.*

Affiliates' Balance Sheets

December 31, 1975	BANK AFFILIATES				
	Central National Bank	*Centran Bank of Akron*	*Richland Trust*	*Farmers and Savings Bank*	*Sutton State Bank*
Assets	In Thousands of Dollars				
Earning Assets:					
Commercial Loans	$ 588,123	$ 24,699	$18,465	$ 3,161	$ 2,376
Installment Loans	141,641	27,637	10,368	1,524	1,161
Portfolio Mortgage Loans	147,999	68,703	28,447	6,029	3,916
Short-Term Money Market Loans	156,982	999	1,200	2,200	—0—
	1,034,745	122,038	58,480	12,914	7,453
Less Valuation Reserve	12,567	41	603	76	58
Net Loans	1,022,178	121,997	57,877	12,838	7,395
Due from Banks—Time	67,889	—0—	—0—	—0—	—0—
U.S. Treasury Securities	64,640	22,983	14,078	2,619	2,705
Federal Agency Securities	43,363	8,571	2,559	—0—	—0—
State and Municipal Securities	284,360	18,644	14,458	3,657	1,791
Other Securities	4,737	4,352	—0—	—0—	—0—
Trading Account Securities	3,067	—0—	—0—	—0—	—0—
Total Earning Assets	1,490,234	176,547	88,972	19,114	11,891
Cash and Due from Banks	204,876	6,640	5,773	612	699
Premises and Equipment	13,750	3,955	1,697	441	86
Customers' Liability on Acceptances	22,018	—0—	—0—	—0—	—0—
Other Assets	21,537	2,110	1,797	172	155
Total Assets	$1,752,415	$189,252	$98,239	$20,339	$12,831
Liabilities					
Deposits	$1,358,091	$167,978	$85,959	$17,306	$11,798
Borrowed Funds	216,360	1,190	4,578	1,200	—0—
Capital Notes—4.75% due Dec. 1, 1989	20,000	—0—	—0—	—0—	—0—
Liability on Acceptances	22,100	—0—	—0—	—0—	—0—
Other Liabilities	15,917	913	781	219	128
Total Liabilities	1,632,468	170,081	91,318	18,725	11,926
General Reserve	—0—	8,546	—0—	—0—	—0—
Shareholders' Equity:					
Common Stock	26,797	4,473	1,457	300	146
Surplus	55,204	5,027	4,543	700	454
Retained Earnings	37,946	1,125	921	614	305
Total Shareholders' Equity	119,947	10,625	6,921	1,614	905
Total Liabilities, Reserve, and Shareholders' Equity	$1,752,415	$189,252	$98,239	$20,339	$12,831

December 31, 1975

FINANCE COMPANY AFFILIATES

In Thousands of Dollars

	Peoples Investment Co.	*Colonial Financial Service*	*Major Finance Corp.*	*Protective Loan Corp.*	*Ben Gordon Finance Company**
Assets					
Earning Assets:					
Installment Loans	$21,048	$12,035	$ 8,067	$ 6,596	$ 390
Other Loans	3,309	—0—	—0—	—0—	—0—
	24,357	12,035	8,067	6,596	390
Less Valuation Reserve	585	193	166	209	237
Net Loans	23,772	11,842	7,901	6,387	153
Due from Banks—Time	235	25	—0—	—0—	400
Total Earning Assets	24,007	11,867	7,901	6,387	553
Cash and Due from Banks	324	693	583	1,357	201
Premises and Equipment	61	92	89	57	33
Other Assets	4,319	476	284	215	523
Total Assets	$28,711	$13,128	$ 8,857	$ 8,016	$ 1,310
Liabilities					
Borrowed Funds	$20,763	$13,350	$ 6,184	$ 6,612	$ 381
Other Liabilities	866	258	685	174	302
Shareholder's Equity	7,082	(480)	1,988	1,230	627
Total Liabilities and Shareholder's Equity	$28,711	$13,128	$ 8,857	$ 8,016	$ 1,310

**On August 14, 1975, the Board of Directors of Centran Corporation authorized Management to discontinue operations of the Ben Gordon Finance Company, Inc. and to liquidate its assets. On October 10, 1975, most of the loans of the Company were sold at their approximate book value. It is anticipated that any loss resulting from final liquidation of the Company will not be material.*

Corporate Directory

Officers

John A. Gelbach—*Chairman and President*
Chairman and Chief Executive, Central National Bank of Cleveland; President, Central Cleveland International Bank

Charles S. Lawrence, III—*Vice President*
President, Central National Bank of Cleveland; Vice President, Central Cleveland International Bank

Thomas W. Harris—*Treasurer*
Senior Vice President and Controller, Central National Bank of Cleveland; Treasurer, Central Cleveland International Bank

Gordon J. Sevold—*Assistant Treasurer*
Vice President, The Richland Trust Company; President, Ben Gordon Finance Company, Inc.

Hubert P. Martin—*Secretary*
Vice President and Counsel, Central National Bank of Cleveland; Secretary, Central Cleveland International Bank

Richard H. Braucher—*Assistant Secretary*
Associate Counsel and Secretary, Central National Bank of Cleveland

Directors

John A. Gelbach
Chairman and President, Centran Corporation.

Joseph A. Boyd
President, Harris Corporation, manufacturer of communications and information handling equipment.

Gregory S. DeVine
Chairman, Board of Directors, Baltimore & Ohio Railroad; Chairman, Board of Directors, Western Maryland Railway; Director and Member of Executive Committee, Chessie System, Inc.

John J. Dwyer
President, Oglebay Norton Company, lake vessel transportation, iron ore and coal mining.

Frederick R. Eckley
Former President, The Ohio Bell Telephone Company.

Robert L. Fairbank
Former President, Towmotor Corporation, manufacturer of industrial trucks.

William F. Hauserman
President, Hauserman, Inc., manufacturer of movable walls, cabinetry and accessories for commercial, industrial and school buildings.

J. Robert Killpack
Executive Vice President–Finance, Eaton Corporation, manufacturer of automotive, materials handling and industrial and consumer products.

Charles S. Lawrence, III
Vice President, Centran Corporation.

George S. Lockwood, Jr.
Chairman, Cleveland Steel Container Corporation, manufacturer of steel and plastic pails and steel drums for industrial use.

John J. Loftus
Vice President—Finance, Republic Steel Corporation, manufacturer of steel.

Morton L. Mandel
Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation, manufacturer and supplier of industrial maintenance products, firefighting accessories and electronic components.

Harry T. Marks
Former Chairman of the Board and Chief Executive Officer, Ferro Corporation, a diversified, multinational manufacturer of specialty materials for industry.

Thomas W. Mastin
President and Chief Executive, The Lubrizol Corporation, manufacturer of chemicals for improvement of lubricants and fuels.

Robert D. McCreery
President, H. L. McCreery and Son, Inc., industrial distributor.

Thomas J. Quigley
Partner, Squire, Sanders & Dempsey, Attorneys at Law.

Thomas A. Quintrell
Partner, Arter & Hadden, Attorneys at Law.

Karl H. Rudolph
President and Chief Executive, The Cleveland Electric Illuminating Co., electric utility.

Donald G. Stevens
Senior Vice President, The Standard Oil Company (Ohio), integrated oil company.

Arthur B. Tillman
Former Senior Vice President, Diamond Shamrock Corporation, manufacturer of chemicals and resins, and producer and refiner of national gas and oil.

Commercial Bank Affiliates

Central National Bank of Cleveland
800 Superior Avenue; Cleveland, Ohio 44114
John A. Gelbach, Chairman and Chief Executive
Charles S. Lawrence, III, President

Senior Vice Presidents:
Robert C. Bensing
Alan G. Brant
Russell H. Eichman
William E. Flack
Thomas W. Harris
Richard I. Kuhn
James M. Large
Frederick Lynch, Jr.
John M. McEwan
A. W. Redmon
Jack C. Rothwell
I. Barry Thompson

Centran Bank of Akron
157 South Main Street; Akron, Ohio 44308
John B. McCarter, Chairman and Chief Executive
Gerald M. Foley, President

Vice Presidents:
James R. Bray
L. T. Buttermore
William H. Evans, III
Philip M. Hamilton
Charles E. Lewis
William T. Moore
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